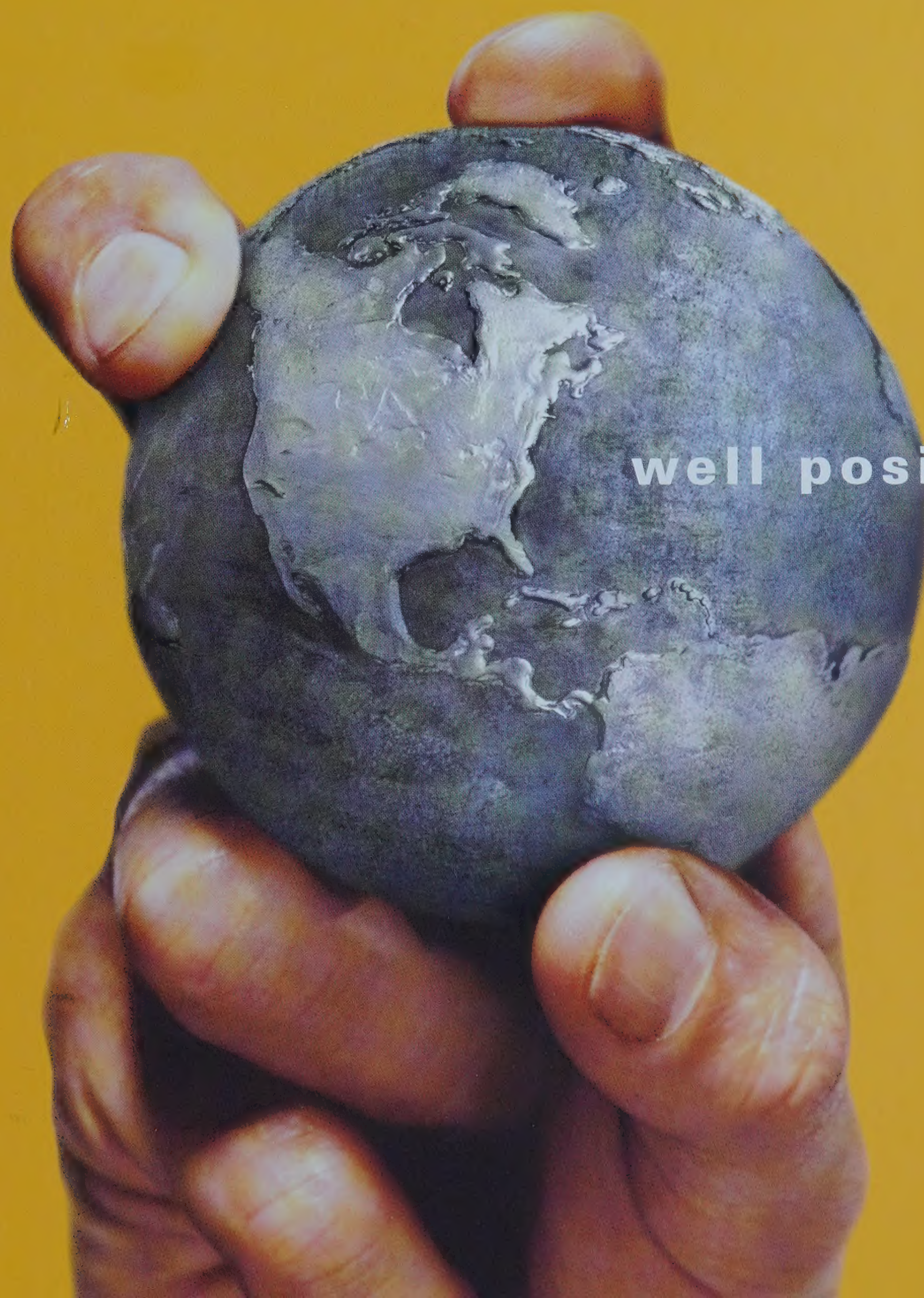
EXCO TECHNOLOGIES LIMITED 2003 ANNUAL REPORT

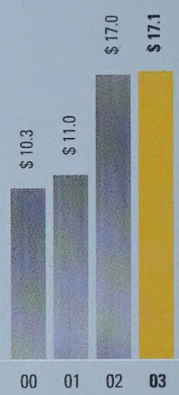


well positioned

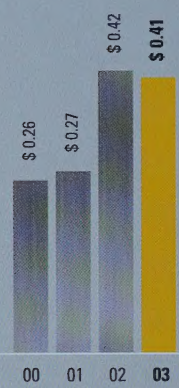
Financial Highlights

Sales
($ millions)

Net income
($ millions)



Diluted earnings per share



These graphs illustrate Exco's strong financial performance. Since 2000, compound annual growth is 25% and 18% for sales and net income respectively.

EBITDA
($ millions)

Cash flow from operations
($ millions)

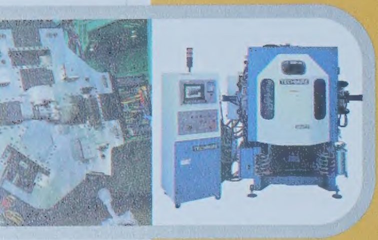
Return on capital employed

we're ready

Exco is one of today's most respected and innovative global technology providers serving the die-cast, extrusion and automotive industries. We are well positioned and ready to build on our existing markets, our flourishing automotive parts business and future acquisitions. We are ready to challenge our competitors with greater determination, flexibility and innovation. We are ready to dramatically grow our business. We're ready.

well positioned globally

casting and extrusion solutions



casting

Exco Engineering

Products & Services: From prototype dies to production tooling, Exco dies are designed for casting quality, cost effectiveness, productivity, uptime and ease of maintenance. Exco Engineering incorporates innovative concepts and patented features into the design of its dies. Interchangeable subassemblies, pioneered by Exco, target customer requirements for competitively priced tooling, maintenance ease and reduced spare parts inventory.

Location: 135,000 sq. ft. facility – Newmarket, Ontario

Customers/Markets: Exco's target market is all major automakers. Exco supplies tooling to Canada, United States and Europe.

Edco

Products & Services: Edco supplies medium to large die-cast dies to all major automakers. Edco's goal is to develop concepts and solutions to enhance the value of the die over its lifetime. Edco creates 3-dimensional solid models of their assembled tool, which provide the basis for each phase of the build process including analysis, design, manufacturing, inspection and assembly.

Location: 45,000 sq. ft. facility – Toledo, Ohio

Customers/Markets: Edco's customers are domestic and foreign domestic automakers in North America.

casting and extrusion solutions

extrusion

Exco Canada

Products & Services: Exco is the largest supplier of extrusion dies in North America and a major force in the extrusion industry. Exco's manufacturing facilities are unmatched, and because of this, Exco is able to provide dies that are designed to produce high quality, precision extrusions at maximum speed. Exco's production procedures ensure the quality of its dies is world class.

Location: 36,000 sq. ft. facility – Markham, Ontario

Customers/Markets: Exco serves customers primarily in North America in the construction, electronics and automotive industries.

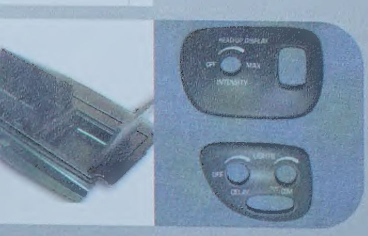
Exco U.S.A.

Products & Services: Exco U.S.A. replicates the abilities of its sister company in Canada enabling it to be more responsive to our growing U.S. customer base. Exco is well positioned near Detroit, Michigan, which allows it to respond rapidly to the ever-shrinking lead times in the industry.

Location: 36,000 sq. ft. facility – Chesterfield, Michigan

Customers/Markets: Exco U.S.A. serves customers primarily in North America in the construction, electronics and automotive industries.

automotive solutions



Polytech

Products & Services: Polytech produces flexible restraint and storage systems for the automotive sector. Its products include cargo nets for trunks and storage nets for the back of driver and passenger seats.

Locations: 10,000 sq. ft. engineering facility – Troy, Michigan

100,000 sq. ft. manufacturing facility – Matamoros, Mexico

Customers/Markets: Polytech services all domestic and foreign domestic automakers in North America.

Polydesign

Products & Services: Polydesign replicates our Polytech division to serve the European market for the flexible restraint and storage system product lines. Polydesign has leveraged its unique capabilities to expand their product offerings to include seat covers and convertible roof solutions as well as many other innovative storage solutions.

Location: 75,000 sq. ft. facility – Tangier, Morocco

Customers/Markets: Polydesign services several automotive OEMs in Europe.

Exco Technologies is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 13 strategic locations, we employ 1,950 people and service a diverse and broad customer base.

Extec

Products & Services: Extec supplies small to medium size die-cast dies to all major automakers and automotive industry suppliers. Extec supports complete design, development and testing capabilities to fulfill the die-cast product cycle.

Location: 25,000 sq. ft. facility – Markham, Ontario

Customers/Markets: Extec's customers are domestic and foreign domestic automakers and their suppliers in North America.

Techmire

Products & Services: Techmire is the world leader in the design and manufacture of multiple-slide die-casting systems for precision components in zinc, lead and magnesium alloys. Techmire has full turnkey system capability, including design, manufacture, testing and installation of die-casting machines and tooling, training of customers' operators and maintenance personnel, and comprehensive after-sales service.

Location: 35,000 sq. ft. facility – Montreal, Quebec

Customers/Markets: Techmire supplies a variety of customers in the electronic, automotive, telecommunications, construction and consumer products industries, in more than 30 countries.

Alu'Die

Products & Services: Alu'Die has grown to be a leading supplier of extrusion dies in North America as well as an exporter to more than a dozen countries abroad. Alu'Die is the choice of aluminum extruders because of their ability to assist their customers in achieving maximum productivity. The new Alu'Die plant houses the industry's most advanced computer-driven facilities for designing and producing extrusion dies.

Location: 45,000 sq. ft. facility – Newmarket, Ontario

Customers/Markets: Alu'Die is a global supplier to customers in the construction, electronics and automotive industries.

Castool

Products & Services: Castool provides essential production tooling required by both extruders and die-casters. Castool tooling is found almost everywhere that aluminum extrusion or die-casting is done around the world. Castool is at the forefront of technological development and holds several critical patents to protect this intellectual property.

Location: 38,000 sq. ft. facility – Scarborough, Ontario

Customers/Markets: Castool is a global supplier to customers in the construction, electronics and automotive industries.

NeoCon

Products & Services: NeoCon is a designer and manufacturer of cargo management systems for all major automakers. NeoCon has focused on interior products that provide interior convenience and protection such as flooring products, multi-positional dividers, pre-formed and lockable compartments and much more.

Location: 90,000 sq. ft. facility – Dartmouth, Nova Scotia

Customers/Markets: NeoCon services all major domestic and foreign domestic automakers in North America.

Exco Advanced Products

Products & Services: Exco Advanced Products is a service provider of its proprietary cold isostatic compaction process, employing patented technology to produce powdered material components. This technology allows faster processing and has many applications in many hi-tech industries.

Location: 25,000 sq. ft. facility – Huntsville, Alabama

Customers/Markets: Exco Advanced Products target hi-tech industries that focus on specialty material applications.

Bantech Lasing

Products & Services: Bantech Lasing is a full service supplier of moulded, painted, laser-etched interior, decorated components and assemblies to the automotive industry. Bantech Lasing's technology incorporates the latest in waterborne paints and state-of-the-art lasing capabilities.

Location: 48,000 sq. ft. facility – London, Ontario

Customers/Markets: Bantech Lasing's customers are Tier 1 and Tier 2 suppliers to the automotive industry in North America.

Brian A. Robbins President and Chief Executive Officer **Helmut Hofmann** Chairman

well positioned to grow

In a world where change is accelerating and markets are increasingly competitive, Exco is raising the bar to double our business over the next five years. While this is indeed a lofty objective, we are convinced Exco is well positioned to undertake this challenge and win.

One of the exceptional strengths of Exco is our ability to sustain growth in the most difficult of markets, while continuing to position ourselves to capitalize on all emerging opportunities. We are well positioned to balance both objectives as a result of our focus on sustaining our financial flexibility – in other words, maintaining a strong balance sheet and ongoing cash flow in all circumstances. We believe Exco has been singularly successful in this pursuit.

Consider our track record. We have orchestrated four acquisitions in the past three years for an aggregate consideration of $90 million. Other than the issue of 396,000 shares, the remainder was all for cash. As a result, dilution to shareholders was minimal and our debt to equity ratio steadfastly remains below 0.25:1.

Well positioned for today and tomorrow

Our strong cash flow, combined with our ability to leverage the balance sheet, provides us with exceptional flexibility to explore new growth opportunities in the near future. It also gives us peace of mind as we operate the businesses on a daily basis. Further, with interest rates at such historic lows, we have structured our debt on a short-term basis, giving us greater flexibility. Assuming there are no new acquisitions, we expect our debt will be eliminated over the next two years.

We have positioned ourselves for the predicted economic recovery in the coming year by ensuring that we can accommodate growth of up to 50% with our existing state-of-the-art facilities, with little additional capital. The leverage in our business is significant.

Over the past year we have witnessed a dramatic 15% rise in the value of our currency against its U.S. counterpart while experiencing the impact of lower cost Asian imports on our domestic market. Companies determined to succeed in this global economy must continue to demonstrate that they can reduce costs to further enhance their competitive position. Only the strong and agile will succeed. Exco is well positioned to be one of them.

Well positioned to compete on the world stage

We are focused on positioning ourselves to better compete on the world stage. We are also determined to make the tough decisions that will continually improve our ability to do so. During this fiscal year, we closed a small division and integrated its capacity into several other existing divisions. We reduced staff and eliminated the need for an entire 25,000 sq. ft. facility, all while fully maintaining our productive capability. We also reduced staff levels in several other divisions to achieve greater efficiencies. These efforts have been part of a careful

and measured process to continually review our capabilities in order to deliver performance-enhancing initiatives wherever possible.

We are also determined to strengthen our bond with our workforce and recently initiated a program to communicate in a more regular and effective manner with our people. We conducted our first employee survey and subsequently tailored a training program for our management which included a strategic review of our employment standards and benefit programs. We believe that by improving dialogue and having a more open forum for communication, everyone in our organization will benefit.

We are well positioned with a highly skilled and innovative workforce

To succeed in today's world we have positioned ourselves to constantly focus on achieving technological superiority. For example, Exco Engineering, our largest die-cast tool division, developed an original cell concept which delivers precise temperature control of the mould utilizing our patented D-Tec system, as well as programmable die spray technology incorporating Gerlieva spray heads. In many cases this remarkable technology has enabled us to reduce cycle time by up to 20%.

In our die-casting and extrusion divisions, we have been granted a number of patents for our breakthrough designs. At Techmire, we achieved commercialization of the world's first four-slide magnesium die-casting machine. We already have a number of these systems operating 24/7 and we expect sales to continue to grow. Given its success with magnesium, Techmire is in the midst of other development programs for alloys such as aluminum.

At Castool, a number of new products were developed or enhanced, such as single cell die ovens, improved extrusion dummy blocks and thermally controlled tooling.

At our Automotive Solutions group, NeoCon, we developed a Kevlar reinforced trunk organizer for the Ford Crown Victoria Police Interceptor following several occurrences of these vehicles blowing up in high-speed rear end collisions.

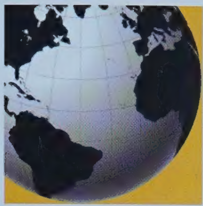
Our Polydesign division in Morocco is currently developing an emergency convertible top for a European automaker. As well, we have installed the equipment and fine-tuned our skills to manufacture automotive OEM seat covers. We have a number of bids outstanding and expect significant business in this potentially high growth area.

We are well positioned to pursue new opportunities

Exco is far more than a leading parts maker; we also engineer and develop complete world-class programs. Such diverse capabilities position Exco to more effectively pursue new opportunities.

Our Polytech division in Matamoros, Mexico, successfully diversified its business and now regularly submits complete console designs integrated with shift boots to automakers.

As the influx of imported vehicles continues and more foreign automotive operations set up in North America, we continue to gain ground in these newer markets and currently supply such automakers as Honda, Toyota, Nissan and Subaru, to name a few. In Europe, we supply Mercedes Benz, VW, Opel, Peugeot, Jaguar as well as many others. We have positioned ourselves geographically with our customers to more effectively serve their business needs.



To be a leading force in today's world, Exco has become far more than one of the world's leading parts makers; we engineer and develop complete world-class programs. Such diverse capabilities position us to more effectively pursue new opportunities.

Our Automotive Solutions group has facilities in Canada, United States, Mexico and Morocco and is pursuing a joint venture in Korea. Techmire, which is based in Montreal, has representation throughout the world and is currently negotiating a joint venture in the People's Republic of China. Success in this endeavour will position us to pursue more ventures in this emerging market. Our die-cast tooling divisions are located in Canada and the United States and have a well-established strategic alliance with a European mould maker. This relationship has enabled us to win ongoing business with Mercedes Benz in Stuttgart.

Exco is well positioned as the pace of change accelerates

Exco is well positioned to succeed as we move forward. We continue to operate our businesses with extraordinary precision on a day-to-day basis, while being proactive to take advantage of new opportunities on a number of fronts without jeopardizing our financial flexibility. We believe our 2003 results and achievements support the wisdom of this strategy. However, we are not resting on our laurels.

There is no question that the pace of change is accelerating. We must maintain flexibility and agility to respond to our customers' needs and to meet our shareholders' expectations. It is reassuring to note that management and employees own fully 40% of this company's stock, a vivid affirmation of our belief in the strength and potential of Exco.

We have been in business for over half a century. During that time, Exco has grown from a small family-owned machine shop to become a respected global technology provider. It is our intention to raise the bar to double our business over the next five years. While this is indeed a lofty objective, we are convinced Exco is well positioned to undertake this challenge and win.

In closing, we would like to acknowledge the contributions of all our employees, the guidance of our Board and the support of our shareholders. We look forward to reporting on our progress in the coming year. Exco is well positioned to deliver!

Brian A. Robbins President and Chief Executive Officer

Helmut Hofmann Chairman

well positioned in our markets

Each of Exco's divisions represents the pinnacle of achievement in their respective spheres of expertise, demonstrating world-class technological superiority in all endeavours. We are well positioned in each of our strategic markets, providing leadership and products that meet and exceed customer expectations.

Number 1 in die-cast tooling

We maintain our position as the number 1 toolmaker in the industry by meeting and exceeding the ever-increasing demands of the major automakers. We continually move the science of die making forward to create dies of extraordinary accuracy and durability in less time. We are trained problem solvers who are obsessive about detail, delivering an unprecedented level of service by listening, anticipating and understanding our customers' needs.

Number 1 in extrusion tooling

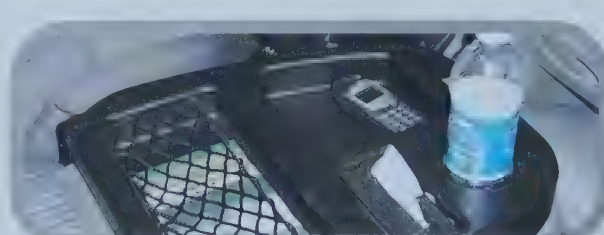
Exco has risen to become the leading supplier of extrusion dies and tooling globally by building on a half century of technology and experience. We are the dominant low-cost producer providing better solutions in less time. We are geographically diversified with plants both in Canada and the United States.

Number 1 in multiple slide die-cast technology

Techmire's sales increased by almost 25% in fiscal 2003, confirming our position as the world leader in the design and manufacture of die-casting systems for precision components. This achievement was all the more notable as it occurred amidst extremely poor market conditions in the capital goods sector. By bringing to bear our wealth of technological expertise and commitment to fulfilling the highest expectations of our customers, Techmire continues to dominate the market.

Number 1 in restraint and storage solutions

Through our Polytech, Polydesign and NeoCon divisions we have become the world leader in innovation for storage and convenience solutions to our global automotive customers. Our standard automotive cargo management products as well as our new and unique creations are infused by a blend of function, aesthetics, efficiency and design. We are vertically integrated and transition our products from design through engineering to complete manufacture to ensure smooth and swift product launch.



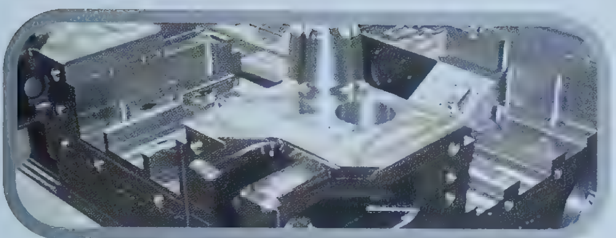
well positioned to grow our market share

- Manufacturing facilities
- Engineering offices
- Sales representation

Exco's manufacturing facilities have been established to ensure we have the additional capacity to meet our customers' existing and future needs as the economy improves. By replicating our advanced facilities and processes in new strategic locations, we ensure we are well positioned geographically to be near our customers and to grow our market share.

Edco expands our die-casting abilities

An integral part of our commitment to delivering outstanding customer service is to ensure our core capabilities are in the most convenient locations for our customers. With this in mind, we expanded our die-casting capabilities into the United States with our Edco division to provide greater coverage across North America and greater local coverage for die correction and repair. Edco has flourished under this mandate and has also developed a larger customer base for new tools with the foreign domestic automakers.



Exco U.S.A. capitalizes on new market opportunity

Exco's extrusion business has been the cornerstone of the Exco Technologies group of companies since 1952. The use of aluminum extrusions continues to grow and has found growing application in the automotive industry. Once again Exco is the dominant low-cost producer and is strategically located in both the Canadian and U.S. markets. We have replicated our capabilities with the addition of Exco U.S.A. located in Chesterfield, Michigan. We believe there are significant opportunities to grow this business.

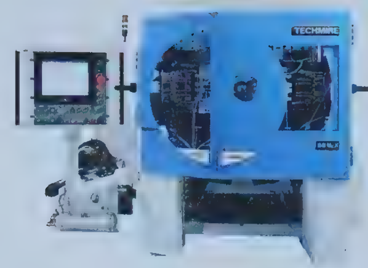
Polydesign makes inroads in Europe

Polytech and NeoCon, which serve the North American automotive market, have developed significant knowledge and experience in automotive restraint and storage solutions. In order to leverage these capabilities into the European market, Polydesign was established in Tangier, Morocco. Tangier is a Free Trade Zone with the E.E.C. and is strategically situated a mere 12 kilometres from Europe. Polydesign was fully operational in 2003 and has made significant inroads in becoming an important supplier to the European automotive industry.

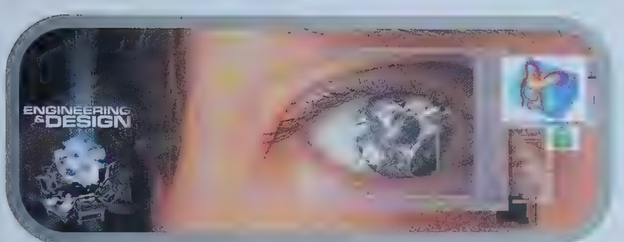
well positioned to
expand our technological leadership

We are constantly expanding our technological leadership by building on the strength of our core capabilities and by having the vision to constantly push the boundaries of innovation. We are well positioned to leverage our expertise to pursue bold new technologies and to diversify our world-class products.

Techmire leading with innovation



The introduction of Techmire's first die-casting machine more than 20 years ago represented a technological breakthrough. We continually lead with innovation to develop cost-effective technology to meet the unrelenting pressure upon die-casters to reduce prices, improve quality and shorten lead times. One of the most recent examples of our advanced thinking is the development of systems to die-cast thin walled components in magnesium alloys for electronics applications at twice the speed possible with conventional die-casting technology.



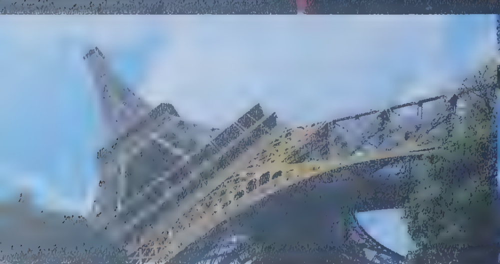
Exco Engineering ingenuity by design

Building on our many years of applying ingenuity to the design of large die-casting dies, coupled with extensive experience in the field of high-pressure die-casting, Exco Engineering devised the extraordinary ExCell system. This original cell concept delivers precise temperature control of the mould utilizing our patented D-Tec system, and programmable die spray technology incorporating Gerlieva spray heads. In many cases this remarkable technology has enabled us to reduce cycle time by up to 20%.

Castool at the forefront of change

Castool is unrivaled in the design and development of new products for both the aluminum extrusion and die-casting industries. They have developed a breadth of products which include thermally controlled tooling, fixed dummy blocks, single cell die ovens and unique die-cast injection tooling. Castool has applied for and received patents for many of these innovations. Castool has a reputation for responding to their customers' needs with cost and time saving solutions. They are recognized as a world leader in their field.

well positioned to
grow in new markets



Lear is well positioned to continue to access new global markets both geographically and with new product offerings. For example, while our new plant in Tangier, Morocco, was established to replicate products formerly supplied from Mexico, we leveraged our expertise to launch new products such as seat covers, convertible tops and unique storage solutions.

Pursuing geographic and product diversification

We continue to reposition our business to capitalize on our core competencies and financial strength. We have facilities in Canada, United States, Mexico and Morocco and sales representation throughout the world. We continue to develop new products and technologies to serve our ever growing customer base.

Evolving our creative engineering capabilities

With the addition of NeoCon and Bantech Lasing in 2003, we broadened our product offerings with innovative interior components for the automotive industry. NeoCon has expanded our creative engineering capabilities to include such unique products as tailgate picnic tables and tailgate tents for camping. This was a natural evolution for Exco given our extensive experience in engineering and knowledge of the automotive markets.

Expanding our reach in Europe

We have also broadened our reach geographically in the European market with the establishment of Polydesign in Morocco. This division commenced commercial production in fiscal 2003. Building on our U.S. success in the automotive restraint and storage solutions area, Polydesign is offering even more innovation by developing several new and unique products specifically for the European market. These include temporary convertible tops and automotive seat covers for a number of Tier 1 and OEM customers.

Exco continues to grow and expand our reach with new products and services while positioning ourselves for future growth with facilities that deliver the right products today and the innovation our customers demand tomorrow.

Financial review

Scott E. Bond Vice-President, Finance and Chief Financial Officer

In today's competitive markets, Exco's strong financial position provides the stability and flexibility necessary to succeed.

Management's Responsibility for Financial Reporting is outlined on page 24. In summary, it states that it is management's responsibility for the existence of adequate controls to ensure that financial information reported herein is complete and reliable. The Board of Directors, primarily through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for the integrity of financial information reported.

The following is management's discussion and analysis of operations and financial position and should be read in conjunction with the consolidated financial statements presented elsewhere in this annual report. It is intended to provide additional information on the Company's performance, financial position and outlook.

Exco operates in two business segments: Casting and Extrusion Technology, and Automotive Solutions.

The Casting and Extrusion Technology segment designs, develops and manufactures die-casting and extrusion equipment and tooling. In fiscal 2003, total sales were $142 million or 62% of consolidated revenue. Operations for this segment are based in North America, and primarily serve the automotive and other industrial markets. Our objective is to sustain and build on our industry leadership by implementing a strategic plan, that includes innovative product introductions, the development of new markets outside North America, particularly in Europe and Asia, and a continuing focus on cost reduction.

The Automotive Solutions segment produces automotive interior components and assemblies primarily for storage and restraint. In fiscal 2003, Exco achieved total sales of $88.6 million or 38% of consolidated sales. Our facilities in Canada, Mexico and Morocco supply the North American, European and Asian markets. In this segment, our objective is to expand the automotive interior product line and supply these products to the major global automotive markets. The European market represents a significant opportunity and our Moroccan facility is strategically located to assist us in planned growth. Our primary focus is to be the low-cost producer. While manufacturing is already conducted in countries or regions where labour costs are lower, we continually strive for productivity improvement and efficiency.

well positioned financially

2003 HIGHLIGHTS

- Record sales of $230.6 million.
- NeoCon Acquisition – NeoCon's rigid cargo management system broadens Exco's automotive interior product line and is complementary to the flexible storage systems already offered. NeoCon's success is evident, reflecting sales growth in excess of 20% in fiscal 2003.
- Bantech Acquisition – Bantech specializes in the production of painted laser-etched plastic parts for automotive interiors. Bantech's capabilities diversify Exco's automotive interior product offering and provide an opportunity for further growth.
- Exco wins prototype die-cast mould contracts for certain new transmissions and engines. These orders are particularly important, as they are an indication of the automakers' desire to make more fuel-efficient vehicles. This trend should result in additional mould contracts and an improvement in capacity utilization and profit in Exco's large die-cast mould business.

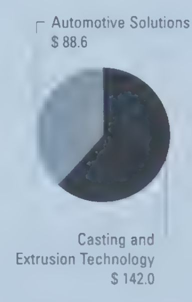
Sales
($ millions)

OPERATING RESULTS

Segment operating results

For the year ended September 30, 2003, consolidated sales increased 8% to $230.6 million. The Casting and Extrusion Technology segment reported sales of $142 million, consistent with the prior year but a reflection of a change in product mix. Although sales of die-cast machines were higher in fiscal 2003, this increase was offset by lower die-cast mould sales. As a result of this shift, segment income was $16.1 million as compared to $17.4 million in fiscal 2002.

Segment Sales
($ millions)



The increase in die-cast machine sales demonstrates our growing strength in the Asian market. As well, the development of Exco's new magnesium die-cast machine was completed in fiscal 2002. In addition to the sale of zinc die-cast machines, many of these magnesium die-cast machines were sold in fiscal 2003, further enhancing the growth of this business.

The decline in die-cast mould sales is a result of the dramatic changes underway in the North American powertrain market. Over the last several years, this business was supported by sale of replacement moulds for those that were worn out. The decline in replacement moulds sales reflects customer expectations of changes to powertrain. Automakers typically reduce orders for replacement moulds when redesigned moulds for new powertrain components are forthcoming. However, as previously highlighted, Exco was awarded important mould contracts for certain new transmissions and engines. We anticipate that over the next several years, as automakers' plans are finalized, the sales of our die-cast moulds will increase.

The Automotive Solutions segment reported sales of $88.6 million for the year, an increase of 26% over fiscal 2002. This increase in revenue is primarily attributable to the acquisition of NeoCon at the beginning of the fiscal year, which contributed an additional $17.3 million, and Bantech, which contributed a modest $2.4 million. Excluding the effect of the acquisitions, sales denominated in U.S. dollars grew by approximately 5%, but were offset by the effect of the appreciating Canadian dollar. The growth in these U.S. dollar sales occurred despite lower automotive production volumes and "decontenting", a situation where automakers remove certain components from vehicles to reduce cost. Segment income increased to $13.2 million as compared to $11.7 million in fiscal 2002.

Gross margin

The gross margin was 35%, down modestly from 36% in fiscal 2002 as a result of start-up losses at Bantech and lower capacity utilization in the die-cast mould business. Losses at Bantech are expected to decline in fiscal 2004 and, as capacity utilization increases, gross margin should improve.

Selling, general and administrative expenses

Selling, general and administrative expenses were $36.8 million (15.9% of sales) as compared to $33.8 million (15.9% of sales) in the prior year. This dollar increase reflects the addition of NeoCon at the beginning of the year. In fiscal 2004, these expenses are expected to increase in line with anticipated revenues and the full year inclusion of Bantech.

Depreciation and amortization

Depreciation and amortization expenses were $14.7 million (6.3% of sales) as compared to $14.4 million (6.8% of sales) in the prior year. Although depreciation expense in the Casting and Extrusion Technology segment declined as a result of the maturing of assets, this was offset by the increased expenses associated with the acquisitions of NeoCon and Bantech. We expect depreciation expense to be lower in 2004.

Interest

Interest expense was $1.8 million as compared to $1.3 million in fiscal 2002. This increase is attributed to the costs associated with financing the NeoCon and Bantech acquisitions and higher interest rates during the year. In fiscal 2004, Exco expects cash from operations will exceed net capital expenditures. As a result, assuming no significant change in interest rates, we expect the expense to decline in fiscal 2004.

Income taxes

Exco's effective income tax rate was 37.9% compared to 38.4% in 2002. Small individual changes to several factors affected the overall decline. For 2004, Exco expects the rate to decline further, reflecting improving profitability in areas where losses are not currently benefited for tax purposes.

Foreign exchange

During the fiscal year the Canadian dollar appreciated approximately 15%. As a result of foreign currency hedges and U.S. dollar debt, the impact of this appreciation on Exco's Canadian operations was not significant. However, the translation of profits earned from Exco's U.S. operations was negatively affected reducing net income by approximately $900 thousand or $0.02 per share.

Quarterly results

The following table sets out certain financial information for each of the eight fiscal quarters up to and including the fiscal year ended September 30, 2003:

$000s, except per share amounts

2003	Sept/03	June/03	Mar/03	Dec/02	Total
Sales	$ 61,937	$ 58,054	$ 55,933	$ 54,631	$ 230,555
Net income	$ 4,927	$ 3,686	$ 4,898	$ 3,587	$ 17,098
Earnings per share					
Basic	$ 0.13	$ 0.09	$ 0.12	$ 0.09	$ 0.43
Diluted	$ 0.12	$ 0.08	$ 0.12	$ 0.09	$ 0.41

$000s, except per share amounts

2002		Sept/02		June/02		Mar/02		Dec/01		Total
Sales	$	57,393	$	54,192	$	55,338	$	46,218	$	213,141
Net income	$	5,299	$	5,276	$	4,007	$	2,460	$	17,042
Earnings per share										
Basic	$	0.13	$	0.14	$	0.10	$	0.06	$	0.43
Diluted	$	0.13	$	0.13	$	0.10	$	0.06	$	0.42

The fluctuations in quarterly earnings were largely a result of differences in volume and product mix. As well, during the second half of the year, net income was affected by start-up losses incurred at Bantech and the effect of translating the profits of Exco's U.S. subsidiaries. Bantech , acquired in February 2003, is in the early stages of production. Profits translated to Canadian dollars are lower as a result of the strengthening of the Canadian dollar in relation to the U.S. dollar.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations

Cash flow from operations before changes in non-cash working capital was $32.3 million as compared to $32.0 million in 2002. Non-cash working capital increased by $9.9 million, reflecting growth in the business, a reduction in customer advance payments and higher income tax instalments relative to earned income.

Capital expenditures

The investment in fixed assets totalled $9.3 million as compared to $16.5 million in the prior year. The investment totalled $1.9 million in the Automotive Solutions segment and was $7.4 million in the Casting and Extrusion Technology segment. These investments related primarily to upgrades and the replacement of existing equipment, ensuring we continue to benefit from the employment of the most efficient technology. Total expenditures for Exco were budgeted to be much higher at $15 million and included potential investments to increase capacity. In light of existing market conditions, the level of capital expenditures was reduced.

For fiscal 2004, Exco plans to invest $19 million, of which $10.7 million will be utilized to increase capacity. The balance will be used to either replace or upgrade existing equipment. The most significant investment in capacity relates to a new facility for Exco's Techmire operation. Techmire designs and manufactures die-casting machines. The need for a larger facility is a direct result of Techmire's success in the Asian market and the development of its new magnesium die-casting machine.

Acquisitions

During the year, Exco acquired two companies. On October 1, 2002, Exco purchased NeoCon for $14.6 million inclusive of debt assumed and transaction costs. The acquisition was financed through Exco's operating lines and by the issuance of 130,000 Exco common shares to NeoCon's founder at a price of $6.00 per share ($780 thousand). The debt assumed included $1.7 million, which was interest free. On February 3, 2003, Exco purchased Bantech for $4.6 million inclusive of debt assumed and transaction costs. The acquisition was financed by the issuance of 265,746 Exco common shares at $7.54. The number and price of the common shares issued in these acquisitions have each been adjusted to reflect the 2 for 1 stock dividend issued in February 2003.

The share consideration paid to the former shareholders of both NeoCon and Bantech is not reflected on the statement of cash flows. The statement of cash flows reflects only the cash consideration paid.

Debt/Equity
($ millions)

Financial position and financing activities

Exco's financial position remains strong despite these investments, and, at year-end, the total debt to equity ratio was 0.21:1, with borrowings of $30.4 million. For the past several years, we have satisfied the majority of our requirements by using our operating lines rather than term debt. Because of the low and declining interest rate environment and our ability to repay debt quickly from free cash flow, this practice has been very beneficial. However, we reassess this practice on a regular basis.

Exco has lines of credit totalling $63.1 million of which $35 million was unused and available at year-end. We expect that in fiscal 2004 our operating cash flow will exceed anticipated capital expenditures and, accordingly, the lines of credit will be more than sufficient to meet our operating requirements.

During the second quarter, we commenced payment of a quarterly dividend at the rate of $0.05 per share annually. During fiscal 2003, three quarterly payments were made totalling $1.5 million. Exco has demonstrated strong cash flow and growth to the point where payment of cash dividends is warranted.

Over and above the obligations disclosed on our balance sheet, we also enter into operating lease arrangements from time to time. Although we own the majority of our manufacturing facilities and equipment, under certain circumstances we choose to lease. The expense associated with these obligations is recorded in Exco's income statements, and the commitment for future lease payments is disclosed in note 10 to the consolidated financial statements. Although note 10 shows the obligation diminishing in future years, we anticipate renewing many of these leases and, accordingly, our future payment obligations are expected to be higher than shown.

CRITICAL ACCOUNTING POLICIES

The preparation of Exco's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amount of revenue and expenses during the reporting period. The most critical accounting principle upon which our financial status depends is our revenue recognition policy. Exco recognizes revenue upon product completion. Completion for large die-cast moulds and die-cast machines is defined as completion of manufacturing of the mould or machine. For extrusion and other tooling products and the Automotive Solutions segment products, completion is defined as shipment to customers.

RISKS AND UNCERTAINTIES

The economic environment within which we operate directly affects our results. Exco's Automotive Solutions segment represents approximately 38% of revenue. Therefore, the level of automotive production and Exco's ability to continue to win new production contracts will have a direct impact on Exco's future operating results. We believe that our targeted approach of focusing on automotive interiors and offering low-cost efficient manufacturing is the key to achieving continued growth.

In addition to internal growth, Exco has also focused on acquisitions. In fiscal 2003, the acquisitions of NeoCon and Bantech confirm this strategy. However, despite Exco's best efforts, acquisitions can present unanticipated risks. NeoCon was an established profitable business with a growth profile and has continued to demonstrate profitable growth in its first year under Exco ownership. Bantech was a start-up operation and to be successful, it must build a profitable revenue base and refine its manufacturing operations.

The Casting and Extrusion Technology segment is a capital goods business. Accordingly, both the economic climate and business confidence are factors affecting the demand for Exco's products. In this environment, we believe that our broad product line, geographic diversification and leading technology will continue to provide momentum for growth.

The cost of our products is also a key factor in determining long-term success. The market for Exco's products has expanded offshore to developing countries where we face competing technologies. As a result, we continue to review manufacturing arrangements and sourcing alternatives in order to further reduce the cost of our products.

Exco's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars. We also purchase material in both currencies. Together, U.S. dollar sales and U.S. dollar purchases provide a natural hedge for a portion of the foreign exchange exposure of Exco's Canadian operations.

To further reduce currency risk, Exco also enters into foreign exchange forward contracts. Note 10 to the consolidated financial statements sets out information concerning these contracts. During fiscal 2003, the Canadian dollar appreciated 15% and since year-end further appreciation has occurred. In order to remain competitive, Exco is committed to undertaking initiatives to reduce costs.

For fiscal 2004, we estimate that our Canadian operations will be exposed to fluctuation in the value of the Canadian dollar relative to the U.S. dollar on approximately U.S.$23 million. This figure represents the estimated net exposure calculated as U.S. dollar revenue less U.S. dollar expenses and U.S. dollar forward foreign exchange contracts. For example, if the Canadian dollar strengthens or weakens by 1%, pre-tax profit would decrease or increase respectively by $230 thousand.

Exco's U.S. operations earn profits in U.S. dollars. Although a stronger Canadian dollar results in lower Canadian dollar profit on translation, it does not affect the competitiveness of these operations in the North American market as their revenue and costs are primarily in U.S. dollars. Although Exco's Automotive Solutions segment has manufacturing facilities in Mexico and Morocco, these operations incur some operating expenses, primarily labour, in their local currency. Sales contracts and major purchases, such as material and equipment, are negotiated in U.S. dollars and Euros for Mexico and Morocco, respectively. Significant long-term fluctuations in the relative value of the local currencies against the U.S. dollar and Euro have the potential to affect Exco's operating results.

OUTLOOK

Casting and Extrusion Technology

The growth of Exco's casting technology business is fuelled by changes to automotive powertrain, which in turn creates the need for new moulds. During fiscal 2003, Exco received mould orders for new six-speed transmissions. Over the next several years, it is anticipated that automakers will launch up to fifteen new transmissions. Exco's involvement in the early stages of these prototype transmission programs significantly improves our opportunity to be the producer of choice. This is demonstrated by the fact that Exco has already received an initial production mould order from a customer.

The importance of this fundamental industry change to Exco cannot be overstated. We anticipated this change several years ago and proactively increased capacity. Accordingly, the expected increase in revenue should have a positive impact on Exco's future earnings. We also have expectations that new aluminum and magnesium die-cast components will replace existing components manufactured from steel and other materials. Aluminum and magnesium die-cast components provide automakers with weight savings and fewer manufacturing operations. We believe that this transition should result in further growth for Exco's casting technology business.

In fiscal 2002, Exco developed a multiple-slide magnesium die-cast machine that operates much faster and can produce castings that are thinner than conventional die-castings. The attributes of magnesium and Exco's proprietary die-casting technology make these machines particularly attractive for the electronics industry. In fiscal 2003, full-scale marketing of this machine commenced and a number of machines were sold. Given our early success, we began a research and development project in fiscal 2003 to apply this technology to aluminum die-casting and will continue these efforts through 2004. If successful, the potential market will be significant. Notably, we sold a record number of die-casting machines in 2003, in the midst of a North American capital goods market that performed poorly throughout the year. We fully expect equipment sales to further improve upon market recovery.

In fiscal 2003, sales of our extrusion tooling products were unchanged from the previous year's level, despite a softer market. Exco's extrusion tooling customers continue to consolidate, which is a positive trend for us, as larger customers prefer to work with sophisticated and experienced suppliers such as Exco. This consolidation trend further drove Exco's market share growth in the year. Although we are the largest North American supplier, we estimate that our market share in the United States is less than 15%. Accordingly, Exco expects growth in this business to continue in conjunction with the anticipated economic recovery in North America.

Automotive Solutions

With the acquisition of TecSyn, through our Polytech division, Exco began supplying interior automotive components in September 2000. Building on the strength of this acquisition, a facility was built in Morocco to supply the European market. Combined with the acquisitions of NeoCon and Bantech, our revenue base increased from approximately $45 million in September 2000 to $88.6 million in 2003. This represents growth of 97% in just three years and 38% of Exco's consolidated sales.

Exco expects continued growth from this segment. The Moroccan facility operated throughout 2003, its first full year. This facility, accredited by several global automotive companies, is now able to quote and supply product to the market. Based upon current business levels, it is expected to be profitable in fiscal 2004. Outstanding quotations in excess of $100 million further confirm its potential. In fact, this facility has a capacity of $48 million based upon existing equipment, and further capacity can be created with relatively small investment.

NeoCon, acquired at the beginning of the fiscal year, achieved revenue growth of 23% in 2003. We believe that the consumer trend to conveniently organize and store items in vehicles will result in continued growth. Exco's original automotive components business, Polytech, expanded its product offering beyond flexible storage and restraint items to include plastic interior components. As a result, significant new business was secured. However, lower automotive production volumes and "decontenting", as discussed earlier, tempered Polytech's growth in fiscal 2003. It is worth noting however, that since Polytech's acquisition in September 2000, it has achieved 42% revenue growth. For 2004, North American vehicle production is expected to be similar to 2003, reaching approximately 16 million units. We believe that "decontenting" has subsided and anticipate greater stability in the market in 2004.

Overall, this segment offers significant potential. The core North American flexible restraint and storage business will continue to expand its product offering. Coupled with the growth potential of the European market and the success of NeoCon's complementary rigid storage systems, all indicators are pointing to a promising future.

CONCLUSION

Our focus on maintaining technological leadership, achieving the dominant market position and being the low-cost producer are factors that should contribute to our continued success. Further, our strong financial position allows us to capitalize on strategic opportunities and, at the same time, ensures stability and flexibility as required. Exco is indeed well positioned to meet the challenges and opportunities that lie ahead.

CAUTIONARY STATEMENT

Information in this document relating to projected growth, improvements in productivity and future results constitutes forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which such statements are based will occur. Forward-looking statements include known and unknown risks, uncertainties, assumptions and other factors which may cause actual results, performance or achievement to be materially different from any future results, performance or achievements expressed or implied by such statements. These risks, uncertainties and assumptions include, among other things: industry cyclicality; global economic conditions, causing decreases in automobile production volumes and demand for capital goods; price reduction pressures; pressure to absorb certain fixed costs; dependence on major customers; technological changes; fluctuations in currency exchange and interest rates; employee work stoppages: dependence on key employees; the competitive nature of the automotive and capital goods industries; product supply and demand; and other risks, uncertainties and assumptions as described in the Company's 2002 Annual Information Form and, from time to time, in other reports and filings made by the Company with securities regulatory authorities.

While the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company disclaims any obligations to update any such factors or publicly announce the result of any such revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Management's responsibility for financial reporting

The accompanying consolidated financial statements of Exco Technologies Limited and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board, and all of its members are outside directors. The Committee meets regularly with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

November 7, 2003
Exco Technologies Limited

[illegible]

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 2003 and 2002 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Toronto, Canada,
November 7, 2003

Consolidated balance sheets

($000s)

AS AT SEPTEMBER 30	2003	2002
Assets		
CURRENT		
Accounts receivable	$ 45,552	$ 46,075
Inventories (note 3)	30,177	27,272
Prepaid expenses and deposits	2,823	2,086
Total current assets	78,552	75,433
Fixed assets (notes 4 and 6)	90,449	90,535
Goodwill (note 2)	44,430	36,025
Future income tax assets (note 8)	3,054	2,432
	$ 216,485	$ 204,425
Liabilities and shareholders' equity		
CURRENT		
Bank indebtedness (note 5)	$ 28,066	$ 23,265
Accounts payable and accrued liabilities	30,050	28,731
Income taxes payable (note 8)	3,303	5,220
Customer advance payments	5,036	8,671
Current portion of long-term debt (note 6)	494	117
Total current liabilities	66,949	66,004
Long-term debt (note 6)	1,825	856
Future income tax liabilities (note 8)	7,033	7,155
Total liabilities	75,807	74,015
Shareholders' equity		
Share capital (note 7)	30,945	26,707
Retained earnings	115,216	99,626
Currency translation adjustment	(5,483)	4,077
Total shareholders' equity	140,678	130,410
	$ 216,485	$ 204,425

Commitments (note 10)

See accompanying notes

On behalf of the Board:

Brian A. Robbins
Director, President and Chief Executive Officer

Helmut Hofmann
Director, Chairman of the Board

Consolidated statements of income and retained earnings

($000s, except per share amounts)

YEARS ENDED SEPTEMBER 30	2003	2002
SALES	$ 230,555	$ 213,141
COST OF SALES AND OPERATING EXPENSES BEFORE THE FOLLOWING	149,754	135,914
Selling, general and administrative	36,844	33,794
Depreciation and amortization	14,668	14,407
Interest on long-term debt	195	87
Other interest expense	1,568	1,236
	203,029	185,438
Income before income taxes	27,526	27,703
Provision for income taxes (note 8)		
Current	10,009	10,065
Future	419	596
	10,428	10,661
NET INCOME FOR THE YEAR	17,098	17,042
Retained earnings, beginning of year	99,626	84,584
Dividends (note 7)	(1,508)	—
Goodwill impairment loss (note 1)	—	(2,000)
RETAINED EARNINGS, END OF YEAR	$ 115,216	$ 99,626
Earnings per common share (notes 7 and 11)		
Basic	$ 0.43	$ 0.43
Diluted	$ 0.41	$ 0.42

See accompanying notes

Consolidated statements of cash flows

($000s)

YEARS ENDED SEPTEMBER 30		2003		2002
Operating activities				
Net income for the year	$	17,098		[illegible]
Add items not involving a current outlay of cash				
Depreciation and amortization		14,668		[illegible]
Future income taxes		419		[illegible]
Loss (gain) on sale of fixed assets		70		[illegible]
		32,255		[illegible]
Net change in non-cash working capital balances related to operations (note 9)		(9,894)		[illegible]
Cash provided by operating activities		22,361		[illegible]
Financing activities				
Increase (decrease) in bank indebtedness		1,875		[illegible]
Decrease in long-term debt		(5,151)		[illegible]
Dividends (note 7)		(1,508)		
Issue of share capital for cash (note 7)		1,458		[illegible]
Cash used in financing activities		(3,326)		[illegible]
Investing activities				
Investment in fixed assets		(9,519)		[illegible]
Proceeds from sale of fixed assets		224		[illegible]
Acquisitions (note 2)		(9,800)		
Cash acquired on acquisitions (note 2)		60		
Cash used in investing activities		(19,035)		(16,549)
Decrease in cash		0		[illegible]
Cash, beginning of year		0		[illegible]
Cash, end of year	$	0	$	[illegible]

See accompanying notes

September 30, 2003 ($000s, except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of Exco Technologies Limited's (the Company's) wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Cost includes the cost of materials plus direct labour and the applicable share of manufacturing overhead.

Fixed assets

Fixed assets are recorded at historical cost, net of related investment tax credits and accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to income as incurred. Fixed assets retired or otherwise disposed of and the related accumulated depreciation and amortization are removed from the accounts with the net gain or loss being included in income.

Depreciation and amortization are provided over the estimated useful lives of the fixed assets as follows:

Buildings	4% declining balance
Machinery and equipment	20% to 30% declining balance
Tools	25% straight-line
Leasehold improvements	straight-line over the term of the leases

Goodwill

In September 2001, the Canadian Institute of Chartered Accountants issued new accounting recommendations regarding the amortization of goodwill. They state that goodwill should not be amortized but be reviewed annually for recording of an impairment loss if required. In the year of adoption, any impairment loss recognized on transition to the new accounting policy may be recorded as a charge against retained earnings. The Company adopted these recommendations prospectively effective for the fiscal year ended September 30, 2002.

Goodwill impairment tests

In 2003, impairment tests of the Company's operations concluded that no impairment losses have occurred and therefore no adjustments to goodwill are required. However, during fiscal 2002, the Company completed impairment tests for goodwill under the transition rules for the change in accounting policy and concluded that an impairment loss should be recorded with respect to its subsidiary, Exco Advanced Products Inc. (formerly TecSyn PMP, Inc.), and included in the Automotive Solutions segment. The Company's total investment in this subsidiary was $5,000 and an impairment loss of $2,000, based on its fair value, was recorded in fiscal 2002 as a reduction in the carrying value of goodwill and a charge to retained earnings.

Financial instruments

Financial instruments recognized in the consolidated balance sheets comprise accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, customer advance payments and long-term debt. The fair value of these instruments approximates their carrying value.

The Company also has forward foreign exchange sale contracts denominated in U.S. dollars. These contracts are used to hedge the Company's foreign exchange exposure inherent in sales in U.S. dollars. Foreign exchange contracts are negotiated with Canadian banks with credit ratings of R1 (mid) as determined by the Dominion Bond Rating Service. The Company does not anticipate non-performance by the banks, which are counterparties to these contracts.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet dates. Revenue and expense transactions denominated in foreign currencies are translated at the rates of exchange prevailing at the dates of the transactions. All of the Company's foreign operations are self-sustaining. The assets and liabilities of foreign subsidiaries are translated using the exchange rates in effect at the balance sheet dates. Gains and losses arising from the translation of the Company's net investment in its foreign subsidiaries are deferred as a separate component of shareholders' equity.

Other gains and losses resulting from movements in exchange rates are reflected in the consolidated statements of income and retained earnings. In 2003, such gains totalled $226 (2002 – losses of $365). Gains and losses on foreign exchange forward contracts, designated as hedges of anticipated future foreign currency transactions, are accounted for as a component of the related hedged transaction. For foreign exchange forward contracts not designated as hedges, the Company recognizes any changes in fair value during the period in the consolidated statement of income. During the years ended September 30, 2003 and 2002 all foreign exchange contracts were designated as hedges.

Earnings per share and cash per common share provided by operating activities

The Company uses the 'treasury stock method' in computing diluted weighted average number of shares outstanding. Under the treasury stock method:

- exercise of options is assumed at the beginning of the period (or at the time of issuance, if later);
- the proceeds from exercise are assumed to be used to purchase common stock at the average market price during the period; and
- the incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings per share computation.

Revenue recognition

Revenue from the sale of manufactured products is recognized upon product completion as follows:

- for large die-cast moulds and die-cast machines, upon completion of manufacturing of the mould or machine; and
- for extrusion and other tooling, and Automotive Solutions segment products, upon shipment to customers.

Research and development expenditures

Research and development expenditures are expensed as incurred unless they meet Canadian generally accepted accounting principles for deferral.

Income taxes

The Company follows the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Stock-based compensation

Effective October 1, 2001, the Company adopted the recommendations concerning Stock-Based Compensation and Other Stock-Based Payments, issued by the Canadian Institute of Chartered Accountants. The new recommendations are applicable only to options granted by the Company after October 1, 2001.

September 30, 2003 ($000s, except per share amounts)

The Company has elected to follow the intrinsic value method of accounting for stock-based compensation granted to employees and directors. Under this method, no compensation expense for stock options granted to employees and directors or for shares issued under the Company's employee share purchase plan is recognized; however, pro forma disclosure of the net income and earnings per share is provided as if awards granted after October 1, 2001 were accounted for using the fair value method (calculated by the Black-Scholes model) as set out in note 7.

Consideration received by the Company from the exercise of stock options is credited to share capital.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual amounts could differ from those estimates.

NeoCon International Inc.

On October 1, 2002, the Company purchased 100% of the outstanding shares of NeoCon International Inc. ("NeoCon"). NeoCon designs and manufactures plastic thermoformed automotive cargo management systems. These systems are supplied to the original equipment manufacturers and their Tier 1 suppliers and are primarily used in the trunk of passenger cars and the cargo area of sport utility vehicles.

The purchase price of the common shares, including transaction costs of $362, was $10,391. In addition, the Company assumed debt, net of cash, of $4,205. The debt assumed includes $1,678, which is interest free. This transaction was financed using the Company's operating lines and by the issuance of 130,000 (post-stock dividend) Exco common shares valued at $780 ($6.00 per share). The acquisition has been accounted for using the purchase method and the results of operations are included in the Company's consolidated financial statements from October 1, 2002.

Net assets acquired at their assigned values are as follows:

Non-cash working capital	$ 2,465
Fixed assets	5,197
Future income taxes	(469)
Cash	41
Long-term debt (including current portion)	(4,246)
Net identifiable assets purchased	2,988
Goodwill upon acquisition	7,403
Purchase price for common shares	$ 10,391

Bancroft Lasing Technologies Limited

On February 3, 2003, the Company purchased 100% of the outstanding shares of Bancroft Lasing Technologies Limited ("Bantech") and certain debt held by shareholders of Bantech. Bantech, founded in 1999, specializes in the production of painted, precision moulded, laser etched plastic parts for automotive interiors. Bantech utilizes a relatively new technology that enables backlit parts.

The purchase price of Bantech, including transaction costs of $189, was $2,189. In addition, the Company assumed debt, net of cash, of $2,371. This transaction was financed by the issuance of 265,746 (post-stock dividend) shares valued at $2,000 ($7.54 per share). The acquisition has been accounted for using the purchase method and the results of operations are included in the Company's consolidated financial statements from February 3, 2003.

Net assets acquired at their assigned values are as follows:

Non-cash working capital	$	(2,972)
Fixed assets		4,549
Future income tax assets		1,981
Cash		18
Long-term debt (including current portion)		(2,389)
Net identifiable assets purchased		1,187
Goodwill upon acquisition		1,002
Purchase price	$	2,189

3. INVENTORIES

		2003		2002
Raw materials	$	15,162		[illegible]
Work in process and finished goods		15,015		13,71[illegible]
	$	30,177	$	2[illegible]

4. FIXED ASSETS

						2003
		Cost		Accumulated Depreciation & Amortization		Net Book Value
Land	$	6,399	$	—	$	6,399
Buildings		38,460		10,426		28,034
Machinery and equipment		179,057		124,492		54,565
Tools		5,214		4,543		671
Leasehold improvements		1,703		923		780
	$	230,833	$	140,384	$	90,449

						2002
		Cost		Accumulated Depreciation & Amortization		Net Book Value
Land	$	5,657	$	—	$	5,6[illegible]
Buildings		36,623		9,652		26,971
Machinery and equipment		174,073		117,658		56,415
Tools		6,075		4,924		1,151
Leasehold improvements		1,147		806		341
	$	223,575	$	133,040	$	90,535

September 30, 2003 ($000s, except per share amounts)

5. BANK INDEBTEDNESS

At September 30, 2003, the Company has available lines of credit totalling $63,100 (2002 – $68,690) of which $35,034 (2002 – $45,425) was unused and available. These operating lines are available in both U.S. and Canadian dollars at variable rates not exceeding prime rate, are unsecured and are due on demand. The prime rate in Canada at September 30, 2003 was 4.5% (2002 – 4.5%) and in the United States was 4.0% (2002 – 4.75%). In addition, under the terms of these credit agreements, the Company is permitted to make use of banker's acceptances to borrow at effective interest rates which are usually lower than those charged under the banks' lines of credit.

6. LONG-TERM DEBT

		2003		2002
Government assistance	$	1,525	$	—
U.S. dollar denominated mortgage payable		733		946
Canadian dollar denominated capital lease obligations		61		27
		2,319		973
Less current portion		494		117
Long-term portion	$	1,825	$	856

Government assistance is comprised of six loans of which $719 is payable to Atlantic Canada Opportunities Agency ("ACOA") and $806 is payable to Nova Scotia Business Inc. ("NSB"). These loans are non-interest bearing and are unsecured. The ACOA loans mature from 2006 to 2009 and are repaid in monthly instalments of $14. The NSB loan is repayable in annual instalments of approximately $200 and matures in 2007.

The U.S. dollar denominated mortgage, secured by land and a building, bears interest at 8.7% and matures June 1, 2005. The monthly principal and interest payments on this loan are approximately U.S.$9 and are based on an amortization period of 10 years.

The Canadian dollar denominated capital lease obligations bear interest at rates varying from 6.36% to 14.96% and mature in 2004. The monthly principal and interest payments are $6 and are based on amortization periods of five years.

Total principal repayment requirements are as follows:

2004	$	494
2005		1,028
2006		358
2007		350
2008 and thereafter		89
	$	2,319

7. SHARE CAPITAL

Authorized

The Company's authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting preference shares issuable in one or more series and 275 special shares.

Issued

The Company has not issued any non-voting preference shares or special shares. Changes to the issued common shares are shown in the following table:

	Common Shares	
	Number of Shares	Stated Value
Issued and outstanding at October 1, 2001	19,643,969	$ 25,843
Issued for cash under Stock Option Plan	92,250	845
Issued for cash under the Employee Stock Purchase Plan	2,840	19
Issued and outstanding at September 30, 2002	19,739,059	$ 26,70[illegible]
Pre-stock dividend:		
Issued in exchange for NeoCon shares on its acquisition	65,000	780
Issued for cash under the Employee Stock Purchase Plan	123,204	891
Issued in exchange for Bantech shares and debenture on its acquisition	132,873	2,000
Issued for cash under Stock Option Plan	8,000	68
Stock dividend	20,068,136	–
Post-stock dividend:		
Issued for cash under Stock Option Plan	215,600	592
Share issue expense		(93)
	40,351,872	$ 30,945

Stock dividend

On February 19, 2003, the Company paid a stock dividend of one additional share for each share held to shareholders of record February 12, 2003. This stock dividend had the same effect as a 2 for 1 stock split and increased Exco's outstanding common shares at the payment date from 20,068,136 to 40,136,272.

Cash dividend

During the period, the Company paid three quarterly cash dividends totalling $1,508 (2002 – $0). The dividend rate per quarter was $0.0125 per common share.

Stock Option Plan

The Company has a Stock Option Plan under which common shares may be acquired by employees, officers and directors of the Company. The following table shows the changes to stock options outstanding:

	2003		2002	
	Number of Options[1]	Weighted Average Exercise Price[1]	Number of Options[1]	Weighted Average Exercise Price[1]
Balance, beginning of year	3,306,250	$ 3.66	3,133,610	$ 3.58
Granted during the year	228,761	$ 6.58	367,640	$ 4.85
Exercised during the year	(231,600)	$ 2.85	(184,500)	$ 4.58
Cancelled during the year	(20,000)	$ 3.85	(10,500)	$ 4.01
Balance, end of year	3,283,411	$ 3.89	3,306,250	$ 3.66

[1] All figures in this table are presented on a post-stock dividend basis.

September 30, 2003 ($000s, except per share amounts)

The following table summarizes information about stock options outstanding at September 30, 2003:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$2.43 – $3.00	1,153,650	3.7 years	$ 2.78	844,088	$ 2.70
$3.01 – $4.00	988,172	4.9 years	$ 3.62	546,281	$ 3.57
$4.01 – $7.60	1,141,589	5.7 years	$ 5.25	523,090	$ 4.77

The number of shares available for option at September 30, 2003 is 210,607 (2002 – 419,368). The number of options outstanding together with those available for future issuance totals 3,494,018 (2002 – 3,725,618) or 8.6% (2002 – 9.4%) of the issued and outstanding common shares.

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan (ESPP). The ESPP allows employees to purchase shares annually through payroll deductions at a predetermined price. During 2003, payroll deductions were made supporting the purchase of a maximum of 210,210 shares at $6.94 per share. The purchase and payroll deductions with respect to these shares will be completed in the first quarter of fiscal 2004. Employees must decide annually whether or not they wish to purchase their shares. During 2003, 246,408 shares (2002 – 5,680) were issued under the terms of the ESPP.

Pro forma stock-based compensation expense

The Company does not recognize compensation expense for stock options granted to employees and directors nor on shares issuable under the ESPP. The table below presents pro forma net income and basic and diluted earnings per common share as if stock options granted to employees and options issued under the ESPP had been determined based on the fair value method. The table includes all stock options granted and shares issuable under the ESPP during the fiscal year.

	2003	2002
Net income	$ 17,098	$ 17,042
Pro forma compensation expense	413	275
Pro forma net income	$ 16,685	$ 16,767
Basic earnings per share:		
As reported	$ 0.43	$ 0.43
Pro forma	$ 0.42	$ 0.43
Diluted earnings per share:		
As reported	$ 0.41	$ 0.42
Pro forma	$ 0.40	$ 0.42

The fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 4.42% (2002 – 4.54%), expected dividend yield of 0.142% (2002 – 0%), expected volatility of 0.273 (2002 – 0.275) and expected option life of 4.85 years (2002 – 3.7 years). The weighted average fair value of the options granted and shares issuable under the ESPP during the year is $1.72 (2002 – $2.43).

8. INCOME TAXES

The Company's effective income tax rate is as follows:

			2003
Income before income taxes	$	27,526	100%
Income taxes at Canadian statutory rates	$	10,218	37.1%
Manufacturing and processing deduction		(1,101)	(4.0)
Foreign rate differential		372	1.3
Losses not benefited for tax purposes		435	1.6
Items not deductible for tax purposes		271	1.0
Other		233	0.8
	$	10,428	37.8%

			[illegible]
Income before income taxes	$	27,70[illegible]	[illegible]
Income taxes at Canadian statutory rates	$	10,832	[illegible]
Manufacturing and processing deduction		(1,662)	[illegible]
Foreign rate differential		376	[illegible]
Losses not benefited for tax purposes		33[illegible]	[illegible]
Items not deductible for tax purposes		[illegible]	[illegible]
Other		489	[illegible]
	[illegible]	[illegible]	[illegible]

Cash outflows during the year for income taxes were $11,362 (2002 – $6,692).

Future income tax assets and liabilities consist of the following temporary differences:

		2003		2002
Assets				
Tax benefit of loss carryforwards	$	(3,274)	$	[illegible]
Items not currently deductible for tax purposes		(2,429)		(2,189)
Research and development expenditures		(389)		(4[illegible]
Liabilities				
Tax depreciation in excess of book depreciation		10,071		8,340
Net future income tax liabilities	$	3,979	$	4,7[illegible]

Research and development expenditures:

The Company has accumulated research and development expenditures of $1,833 (2002 – $1,930), which have not been deducted for federal income tax purposes. The tax benefit pertaining to these expenditures has been recognized in the consolidated financial statements. These expenditures are available to reduce future taxable income and have an unlimited carry-forward period.

September 30, 2003 ($000s, except per share amounts)

9. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

The net (increase) decrease in non-cash working capital balances related to operations consists of the following:

	2003	2002
Accounts receivable	$ 615	$ (2,030)
Prepaid expenses and deposits	186	49
Inventories	(2,728)	(1,820)
Accounts payable and accrued liabilities	(2,393)	2,809
Income taxes payable	(1,939)	3,450
Customer advance payments	(3,635)	(3,416)
	$ (9,894)	$ (958)

10. COMMITMENTS

Leases

The Company has commitments under long-term lease agreements for plant facilities and other operating leases expiring at various dates up to 2008. Future minimum annual lease payments are as follows:

2004	$ 2,146
2005	1,858
2006	1,607
2007	685
2008	443
	$ 6,739

Foreign exchange contracts

The Company has contracts to sell U.S.$21,650 (2002 – U.S.$23,050) over the next 24 months at rates varying from $1.33 to $1.61 (2002 – $1.53 to $1.61) Canadian dollar for each U.S. dollar sold. Management estimates that a profit of $2,691 would be realized if the contracts were terminated on September 30, 2003 (2002 – loss of $590).

11. EARNINGS PER COMMON SHARE PROVIDED BY OPERATING ACTIVITIES

The basic earnings per share is calculated using net income and the monthly weighted average number of common shares outstanding of 40,002,905 (2002 – 39,333,198). The effect of outstanding stock options on diluted weighted average shares outstanding was to increase the weighted average number of shares outstanding by 1,360,834 shares (2002 – 1,074,104). Common shares outstanding in the prior period have been restated to reflect the impact of the 2 for 1 stock dividend paid in 2003.

12. SEGMENTED INFORMATION

Business segments

The Company operates in two business segments: Casting and Extrusion Technology and Automotive Solutions. The accounting policies followed in the operating segments are consistent with those outlined in note 1 of the consolidated financial statements.

The Casting and Extrusion Technology segment designs and engineers tooling and other manufacturing equipment. Its operations are substantially for automotive and other industrial markets in North America.

The Automotive Solutions segment produces automotive interior components and assemblies primarily for storage and restraint for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers).

	2003			2002		
	Casting & Extrusion Technology	Automotive Solutions	Total	Casting & Extrusion Technology	Automotive Solutions	Total
Sales	$ 142,003	$ 88,552	$ 230,555	$ 142,599	$ 70,542	$ 213,141
Depreciation & amortization	$ 11,475	$ 3,193	$ 14,668	$ 12,219	$ 2,188	$ 14,407
Segment income	$ 16,089	$ 13,200	$ 29,289	$ 17,375	$ 11,651	$ 29,026
Interest expense			$ 1,763			$ 1,323
Income before income taxes			$ 27,526			$ 27,703
Fixed asset additions	$ 7,621	$ 1,898	$ 9,519	$ 9,855	$ 7,015	$ 16,870
Total fixed assets, net	$ 69,065	$ 21,384	$ 90,449	$ 75,620	$ 14,915	$ 90,535
Goodwill additions	$ —	$ 8,405	$ 8,405	$ —	$ —	$ —
Goodwill	$ 8,345	$ 36,085	$ 44,430	$ 8,345	$ 27,680	$ 36,025
Total assets	$ 130,517	$ 85,968	$ 216,485	$ 136,658	$ 67,767	$ 204,425

Geographic and customer information

	2003	2002
Sales		
Canada	$ 35,712	$ 39,498
United States	158,461	145,883
Asia	16,524	11,383
Europe	13,391	5,356
Other	6,467	11,021
	$ 230,555	$ 213,141
Fixed assets and goodwill, net		
Canada	$ 80,698	$ 65,870
United States	43,879	48,961
Mexico	4,055	6,036
Morocco	6,247	5,693
	$ 134,879	$ 126,560

In 2003, sales to the Company's largest customer were 17% (2002 – 16%) of total sales, and accounts receivable pertaining to this customer were $8,997. The allocation of sales to the geographic segments is based upon the location of the customer.

13. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the 2003 consolidated financial statements.

Ten year financial summary

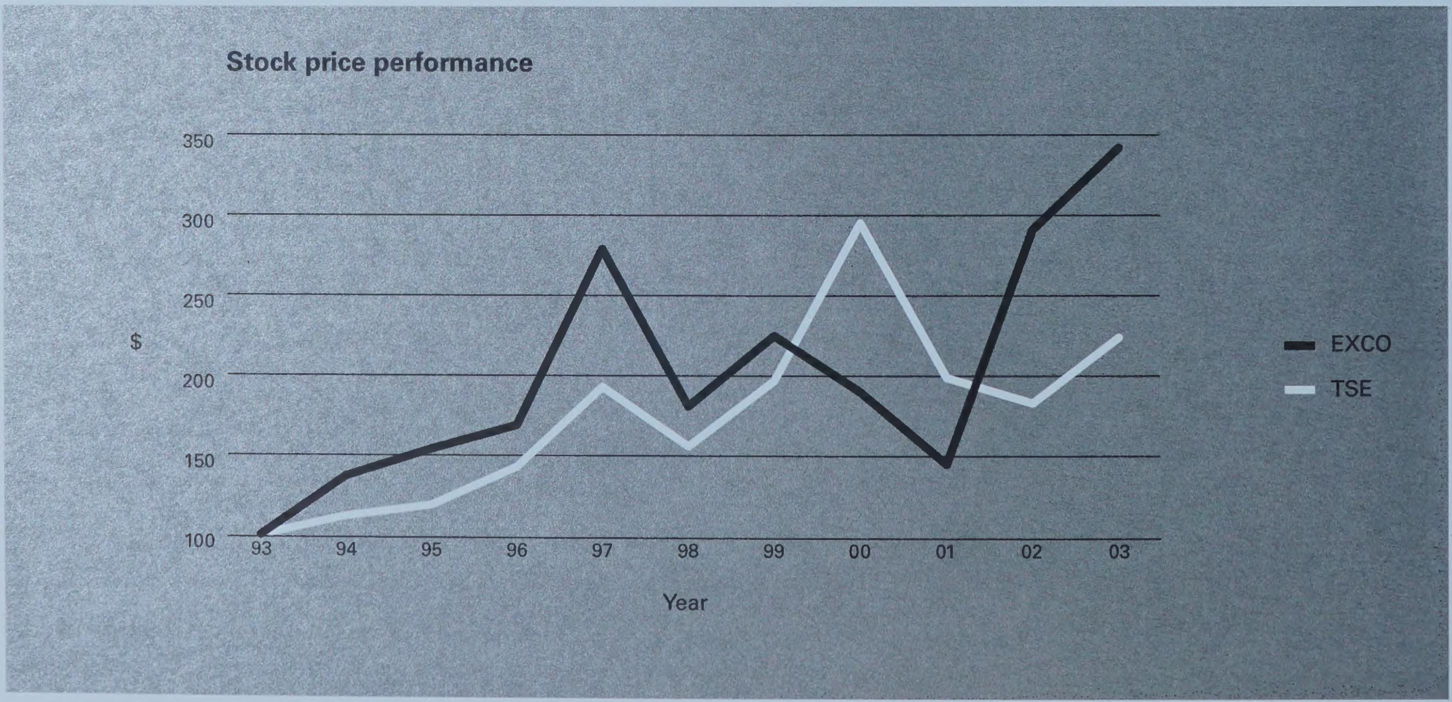
($000s, except per share amounts)

Financial Results

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Sales	$230,555	$213,141	$184,133	$118,070	$118,295	$118,045	$ 99,579	$ 73,403	$ 73,947	$ 56,785
Net income	$ 17,098	$ 17,042	$ 10,985	$ 10,310	$ 12,036	$ 11,115	$ 8,388	$ 5,880	$ 9,144	$ 7,747
Diluted earnings per share	$ 0.41	$ 0.42	$ 0.27	$ 0.26	$ 0.30	$ 0.27	$ 0.21	$ 0.15	$ 0.24	$ 0.20
Cash flow from operations	$ 32,255	$ 31,998	$ 29,072	$ 24,216	$ 24,208	$ 21,238	$ 16,355	$ 11,636	$ 14,384	$ 11,777
Diluted cash flow per share	$ 0.78	$ 0.79	$ 0.73	$ 0.61	$ 0.61	$ 0.53	$ 0.41	$ 0.30	$ 0.37	$ 0.31
EBITDA	$ 43,957	$ 43,433	$ 36,970	$ 29,398	$ 32,617	$ 29,572	$ 21,688	$ 15,279	$ 19,621	$ 16,609
Total net debt to equity	.21:0	.19:1	.35:1	.37:1	0:1	.26:1	.15:1	.06:1	0:1	0:1
Capital expenditures	$ 9,295	$ 16,549	$ 14,065	$ 11,691	$ 8,669	$ 26,155	$ 21,469	$ 18,790	$ 9,431	$ 6,360
Acquisitions	$ 9,740	$ 0	$ 14,752	$ 48,625	$ 0	$ 0	$ 1,522	$ 0	$ 4,038	$ 0

Cumulative Shareholder Return

The graph below illustrates that $100 invested in the Toronto Stock Exchange total return index in 1993 is worth $224 in 2003, whereas, $100 invested in Exco in 1993 is worth $342. An Exco share has outperformed the index by 53% and has provided an average annual compound return of 13% over this period.



Board of Directors and Officers

DIRECTORS

Helmut Hofmann
Chairman of the Board of the Company
Chairman, Héroux-Devtek

Geoffrey F. Hyland, B. Eng. (Chem), MBA
President and Chief Executive Officer
ShawCor Ltd.

Richard D. McGraw, B. Comm.
President
Lochan Ora Group of Companies

Brian A. Robbins, P. Eng.
President and Chief Executive Officer
of the Company

Brian J. Steck, MBA, CFA
President
St. Andrews Financial Corporation

Ralph Zarboni, B. Comm., FIM
Chairman and Chief Executive Officer
The EM Group

Audrey E. Robbins
Honorary Director
Co-founder of the Company

CORPORATE OFFICERS

Helmut Hofmann
Chairman of the Board

Brian A. Robbins, P. Eng.
President and Chief Executive Officer

Scott E. Bond, B. Comm., CA
Vice-President, Finance and Chief Financial Officer

Bonnie M. Cartwright, CMA, MBA
Vice-President, Business Development

Anne Himelfarb, BA
Secretary

PRINCIPAL BANKER

The Bank of Nova Scotia
Markham, Ontario

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Ernst & Young LLP
Chartered Accountants

STOCK LISTING

Toronto Stock Exchange (XTC)

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2003 ANNUAL MEETING

The 2003 Annual Meeting of the Shareholders will be held at the Arcadian Court, 401 Bay Street, 8th Floor, Toronto, ON, Wednesday, January 28, 2004 at 4:30 p.m.

DESIGN: BRYAN MILLS GROUP, TORONTO www.bryanmills.com

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